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## Bulgaria

### Food and Agricultural Import Regulations and Standards

### Import Requirements for Nuts

2007

**Approved by:**

Susan Reid  
U.S. Embassy

**Prepared by:**

Mila Boshnakova

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**Report Highlights:**

The new 2007 import requirements for nuts, related to Bulgaria's accession to the EU, open new, better opportunities for U.S. exporters. The trade regime is more favorable with tariffs sharply reduced from an average 35 percent to below 5 percent. The competition from traditional nuts suppliers, usually third countries, is likely to weaken due to more stringent safety norms. At the same time, growing demand and consumption will be sustained by increasing consumer incomes and fast development of retail and food service sectors.

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<b>Recent food safety issues with nuts imports .....</b>	<b>3</b>
<b>New import requirements .....</b>	<b>3</b>
Mandatory testing.....	4
Border inspection .....	4
Laboratory testing .....	4
<b>Opportunities for U.S. exporters .....</b>	<b>5</b>
<b>Trade regime .....</b>	<b>5</b>
<b>Imports .....</b>	<b>5</b>
<b>Demand .....</b>	<b>6</b>
<b>Local supply .....</b>	<b>6</b>
Table 1. Nuts imports to Bulgaria, 2003-2005, MT.....	7
Table 2. U.S. exports of nuts to Bulgaria, 2002 - 2006.....	8

Note: This report focuses on new 2007 import requirements for U.S. nuts and most recent changes in the trade regime related to Bulgaria's membership in the EU. The report is based on official and trade sources information. A marketing report about local nuts market is to be published by Post later in 2007.

### **Recent food safety issues with nuts imports**

Over the last month and a half, Bulgarian mass media extensively covered several problematic peanuts imports. Two such cases were subject of increased consumer and public interest due to safety concerns: a shipment imported from Macedonia but reportedly originating from an unknown Asian country; and another shipment of about 70 MT of peanuts from Gambia. In the case of the second shipment, the authorities undertook action following an anonymous email. Media described a number of loopholes in border food safety control and monitoring executed by the authorities.

Both peanut shipments were held by health authorities and banned for distribution and sales. A special investigation is being done against importers. As some of the banned peanuts disappeared from the warehouse, the Ministry of Health started massive inspections and checks at all retail and industrial outlets to verify if some quantities have been distributed, sold and consumed. Authorities admitted that with a staff of 1,200 officials in the field, it is a challenge for them to effectively monitor over 120,000 outlets around the country. Thus, the inspectors will focus their efforts on so-called high risk tree nuts countries such as India, Gambia, Sudan, China and Iran. Reportedly, while doing these inspections, local officers are encouraging retail and processing businesses to decrease or eliminate sales and use of imported peanuts, regardless of their origin.

Media reports described imported peanuts as "poisoning and causing cancer" due to high levels of aflatoxin, and resulted in overall reduced purchases of peanuts. Some traders reported also the short term side effect of an overall drop in consumption of all types of nuts.

### **New import requirements**

Following Bulgaria's EU accession on January 1, 2007, the Ministry of Health began to apply the EU import regulations. However, the implementation of these new rules faced a number of challenges related to still weak administrative capacity, lack of knowledge and full understanding of new regulations, especially on the local level; and lack of coordination between various control institutions, in most cases, between the regional Ministry of Health offices and regional Customs offices.

Bulgarian health authorities currently follow Commission Regulation 1881/2006 of December 19, 2006, and particularly the maximum aflatoxin levels described in Annex, Section 2, Mycotoxins, Aflatoxins. According to the Ministry of Health and industry sources, local nuts processors do not use any machines for sorting of nuts or other physical treatment. For this reason, only the B1 aflatoxin level described for groundnuts and nuts for direct consumption is applied, or a maximum of 2.0 µg/kg; and a maximum of 4.0 µg/kg for the sum of B1, B2, G1 and G2 (Section 2, p.2.1.3.).

The other document is Commission Decision 2006/504/EC on special conditions governing certain foodstuffs imported from third countries due to contamination risks of these products by aflatoxin. The implementation of this regulation is critical regarding imports of nuts from Egypt, China, Turkey, Brazil and Iran, all of them traditional suppliers to Bulgaria.

The local authorities are aware that U.S. shipments of nuts, and particularly of almonds, will be subject of higher attention due to expected new changes in EU regulations. They refer to expected Commission Decision amending Decision 2006/504/EC. With this new amendment, the Ministry of Health will be ready to apply different sampling and analysis approach for U.S. shipments depending on whether or not they are covered by the Voluntary Aflatoxin Sampling Plan set up by the Almond Board of California in May 2006. Bulgarian authorities are favorably disposed toward EU regulatory changes.

It is interesting to note that according to a local 10 year study done by the University of Georgia and the local canning institute, Bulgarian peanuts are not developing aflatoxin due to characteristics of local climate and soil. This fact is well known by authorities, however, has not been a reason for introduction of more stringent restrictions than in the EU.

### **Mandatory testing**

Currently, the Ministry of Health is ready to do mandatory 100 percent sampling and analysis of all U.S. shipments, although it is not required by the current EU regulations, mainly due to high public/media interest towards this issue. Such measures are likely to be taken for all imported products from third countries. Since Bulgaria is a net importer of tree nuts and groundnuts, it is expected to affect the market in the short run but at the same time to open the door for higher quality and safer product in medium-longer term.

### **Border inspection**

The border points which are likely to be approved for entry of nuts from the U.S. and other third countries are as follows:

Sofia Airport  
Plovdiv  
Bourgas Airport,  
Bourgas "West-Fish port"  
Varna Airport,  
Varna port,  
Varna ferry-boat  
Svilengradp rail way station  
Kapitan Andreevo  
Ruse- terminal east port

### **Laboratory testing**

Currently, required sampling and analysis of aflatoxin is done at six Ministry of Health laboratories in Pleven, Bourgas, Sofia, Varna, Veliko Turnovo and Plovdiv. These labs are accredited to act as control labs for import purposes, however, they are not yet accredited under EN ISO/IEC 17025 as required by the EU. The U.S. exporters have to bear in mind that differences in laboratory results done at the U.S. labs and local labs are possible, and they may negatively affect official decisions on the final use of the product. The accreditation of local labs is likely to continue until the end of 2007.

Some traders who target the Bulgarian market have been avoiding importing directly to Bulgaria due to laboratory concerns or issues with local border control (reported lack of experience or knowledge of border staff), and have started to increasingly use Greece or Romania as points for direct imports with subsequent transshipment of the product to Bulgaria. Others prefer to use their Western European partners who have more experience with imports from third countries.

## Opportunities for U.S. exporters

The U.S. tree nuts and groundnuts exporters have an excellent opportunity to continue to expand their exports to Bulgaria if able to meet the import safety norms. There are several major reasons for this development:

- more favorable trade regime due to the EU membership. Since 2007, import duties have sharply declined from 35-40 percent to zero or around 5 percent, both for almonds and peanuts;
- developing local market with expanding total nuts consumption, and particularly increasing consumption of high value products;
- expected lower competition from countries such as Gambia, India, Iran, China etc. due to inability to meet EU sanitary/safety import requirements;
- currently favorable exchange rate of U.S. dollar to Euro which allows for a more competitive supply to the local market where incomes and trade are based on the European currency. Due to price sensitive demand for nuts, such factor is often viewed by traders as key for determining the final purchase decision.

## Trade regime

Starting in 2007, imports of nuts to Bulgaria enjoy much more favorable terms than before. All import duties are lower, and the most significant is the reduction in tariffs for almonds, hazelnuts and peanuts (Table. 3).

Almonds to Bulgaria can be exported from the U.S. under the EU TRQ for 90,000 MT at 2 percent import duty.

## Imports

See Table. 1

The most popular imported nuts are peanuts, followed by almonds.

Major exporters of peanuts to Bulgaria are China, Greece, Sudan and Gambia. Since main suppliers are countries which are not likely to fully meet the EU sanitary requirements, some of their share might be taken soon by some EU suppliers such as Greece. At the same time, this opens very good prospects for the U.S. exporters. At least 3 local processors are interested in using U.S. peanuts in developing a new assortment of products which are unfamiliar to the local market and present a good opportunity for sales of added value products.

Almonds are the largest category in tree nuts where the U.S. has a leading position, being a top supplier to Bulgaria in 2003 and 2004 and number two supplier in 2005. Major competitors such as Iran, Ukraine and Turkey are expected to slowly reduce their shares to the benefit of Greece in the short term. U.S. exporters have the excellent opportunity to continue to expand their exports to Bulgaria in 2007.

Almonds (no shell, HS#0802 12) account for all U.S. tree nuts exports to Bulgaria over the last 5 years (Table. 2).

## Demand

Local consumption of nuts has slowly but steadily increased over the past several years. The demand is still price sensitive. Thus, most local processors prefer to use less expensive local nuts for confectionary while better quality/larger size import product is usually imported in bulk, re-packed in smaller consumer type packs, and distributed for direct consumption to the retail sector and to the numerous small specialized street kiosks.

According to official statistics/ National Statistical Institute, local consumption over the last 5 years has changed, as follows:

2001: Average price for nuts 4.04 leva/kilo, consumption of 1.046 kilo per household and 0.7 kilos per capita;

2002: Average price for nuts 3.91 leva/kilo, consumption of 1.343 kilo per household and 0.8 kilos per capita;

2003: Average price for nuts 3.99 leva/kilo, consumption of 1.343 kilo per households and 0.9 kilos per capita;

2004: Average price for nuts 4.05 leva/kilo, consumption of 1.484 kilo per household and 1.0 kilo kilos per capita;

2005: Average price for nuts 4.32 leva/kilo, consumption of 1.493 kilo per household and 0.9 kilos kilos per capita;

2006 estimated: 1.0 kilo per capita.

Note: 1.0 Euro=1.9558 leva

The above consumption figures include only purchases of nuts for direct consumption. It does not include 1/consumption in a form of processed products, 2/on-farm consumption and 3/consumption at the food service outlets. It is estimated that if these three additional segments are added, consumption is likely to reach or exceed 3.0 kilos/per capita annually or about 23,000 MT - 24,000 MT total market size.

## Local supply

Local nuts production is limited and the country is a net importer. Major local nuts are walnuts and peanuts.

In the period 2000-2006, local production was in the following range:

Walnuts – harvested area of 5,000 HA – 6,000 HA, production at 5,000 MT – 6,000 MT;

Almonds – harvested area 2,500 HS- 3,500 HA, production from 500 MT to 1,300 MT;

Hazelnuts – harvested area, about 100 HA, production up to 150 MT

Peanuts – harvested area of about 1,200 HA, production up to 1,500 MT;

Local production is small, fragmented, scattered around the country, not commercialized and vulnerable to climate factors. Farmed nut orchards are still limited in size. Local peanuts are rather small in size, lots are not consistent in quality and quantity, and regular shipments are difficult.

EU membership opens opportunities for subsidies for new nuts plantings. Bulgaria can benefit from art. 83 of European Regulation 1782 which allows for a subsidy of 120 Euro/HA. The maximum subsidized area for Bulgaria is 11,984 HA for farmers with more than 1.0 HA land, according to the Accession agreement. It remains to be seen, however, if local businesses will take a full advantage of this opportunity. Even if the country progresses well in this direction, Bulgaria will continue to be a net importer of nuts due to consumption growing faster than the local supply.

Table 1. Nuts imports to Bulgaria, 2003-2005, MT

	2003	2004	2005
HS#0801			
Greece	89	264	420
Shri Lanka	100	NA	256
India	77	171	250
Holland	119	NA	211
Vietnam	NA	32	71
<b>USA</b>	<b>1</b>	<b>1</b>	<b>1</b>
Total	572 MT (USD 0.5 mil.)	965 MT (USD 0.8 mil)	1,300 MT (USD 1.3 mil)
HS#0804			
Iran	309	320	370
Holland	43	65	217
Turkey	453	329	163
Greece	90	71	66
Thailand	NA	36	50
Total	975 (USD 0.4 mil)	888 MT (USD 0.7 mil)	951 MT (USD 0.8 mil.)
HS0806 20			
Iran	441	568	1,694
Greece	NA	72	86
Turkey	207	112	85
Germany	25	12	15
Total	697 MT (USD 0.2 mil)	777 MT (USD 0.4 mil)	1,890 MT (USD 0.6 mil)
HS#0802			
Greece	327	442	432
<b>USA</b>	<b>591</b>	<b>556</b>	<b>387</b>
Iran	300	413	302
Ukraine	257	262	94
Turkey	289	213	65
Germany	NA	NA	43
Spain	NA	NA	34
China	NA	NA	33
Total	1,974 MT (USD 2.0 mil)	1,960 MT (USD 2.7 mil)	1,503 MT (USD 2.2 mil)
HS#1202			
China	5,151	8,615	5,825
Greece	1,263	420	523
Egypt	NA	287	301
Sudan	486	576	157
Gambia	458	510	106
India	NA	685	76
Total	7,626 MT (USD 2.4 mil)	11,278 (USD 4.9 mil)	7,336 (USD \$3.3 mil)

Total nuts	11,844 MT (USD 5.5 mil)	15,278 MT (USD 9.5 mil)	12,980 MT (USD 8.2 mil)
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**Table 2. U.S. exports of nuts to Bulgaria, 2002 - 2006**

	USD, 000	MT
2002	1,116	337
2003	1,877	512
2004	1,745	382
2005	2,311	389
2006	1,312	227
Source: U.S. Customs		



Table 3. Trade regime for nuts in 2006 and in 2007

HS#	Category	2006	2007
<b>0801</b>	Coconuts, Brazilian nuts, pistachios, fresh or dried		
0801 11 00 0	Coconuts, dried	5	No duty
0801 19 00 0	Coconuts, other	5	No duty
	Brazilin nuts		
0801 21 00 0	In shell	5	No duty
0801 22 00 0	Without shell	5	No duty
	Pistachios		
0801 31 00 0	In shell	15	No duty
0801 32 00 0	Without shell	15	No duty
<b>0802</b>	<b>Other nuts, fresh or dried, in shell or without shell:</b>		
	- Almonds:		
0802 11	- - In shell:		
0802 11 10 0	- - - Bitter	35	No duty
0802 11 90 0	- - - Other	35	5.6
0802 12	- - Without shells:		
0802 12 10 0	- - - Bitter	20	No duty
0802 12 90 0	- - - Other	20	3.5
	- Hazelnuts ( <i>Corylus spp.</i> ):		
0802 21 00 0	- - In shell	35	3.2
0802 22 00 0	- - Without shell	30	3.2
	- Walnuts:		
0802 31 00 0	- - In shell	35	4
0802 32 00 0	- - Without shell	35	5.1
0802 40 00 0	- ( <i>Castanea spp.</i> )	35	5.6
0802 50 00 0	- Pistachios	27	1.6
0802 90	- Other:		
0802 90 20 0		10	No duty
0802 90 50 0			3.2
0802 90 85 0		10	3.2
0802 60 0	- - Macademia nuts	10	2
0802 90	- - Other		3.2
<b>0804</b>	<b>Dates , figs and other:</b>		

0804 10 00 0		10	7.7
0804 20			
0804 20 10 0		15	5.6
0804 20 90 0		15	8
0804 30 00 0		5.8	5.8
0804 40 00 0		3	NA
0804 50 00 0		5	No duty
0806 20			
0806 20 10 0		10	2.4
0806 20 30 0		10	2.4
0806 20 90 0		10	2.4
<b>1202</b>	<b>Non baked peanuts, without shells or grinded:</b>		
1202 10	- In shell:		
1202 10 10 0	- - For planting	40	No duty
1202 10 90 0	- - Other	40	No duty
1202 20 00 0	- Without shell, including broken/grinded	40	No duty